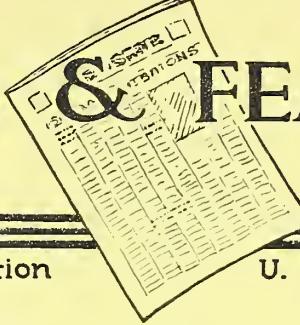


Historic, archived document

Do not assume content reflects current scientific knowledge, policies, or practices.

SHORTS & FEATURES



Agricultural Adjustment Administration

U. S. Department of Agriculture

For Release Exclusively Through
State Extension Editors

December 16, 1935

VOLUME I NO. 8

For release on receipt

AGRICULTURE STIMULATES THE AUTOMOBILE TRADE

Two of the brightest spots in the picture of national recovery since 1932 have been agriculture and the automobile industry. Statistics compiled by the Agricultural Adjustment Administration indicate that these two factors are distinctly related.

The farmers of the country, in cooperating to reduce the unsaleable surpluses of agricultural commodities, have made possible progressive increases in national cash farm income from the low of \$4,377,000,000 in 1932 to \$5,409,000,000 in 1933, to \$6,267,000,000 in 1934, and to an estimated \$6,800,000,000 in 1935.

That this additional income to farmers has directly or indirectly influenced the purchase of new cars seems indicated by the fact that the increase in farm income has been accompanied by a direct increase in 1934 over 1933 in new car registrations of 38 percent in small towns and rural areas, as compared to an increase of 18 percent in cities over 10,000.

Thus, by reducing surpluses and increasing farm income, farmers have been important contributors to increased production of automobiles, and have enabled larger numbers of the "surplus" industrial workers to be absorbed in the automobile and related industries. Comparing the increase in farm cash income of 1934 over 1932, with the increase in car registrations of 1934 over 1932, gives striking evidence that the greatest increase in automobile sales has taken place in those states where farm income has increased most rapidly.

Farm States Lead in Increase

The study shows, for instance, that of the four States showing the greatest increase in farm cash income, three were among the first four in increases in new car registrations, and the fourth was near the top of the list: In North Carolina, where farm income increased by 149.5 percent, new car registrations increased 200 percent; in Georgia, farm income increased 113.4 percent, new car registrations 134.8 percent; in Alabama, farm income increased 94.8 percent, new car registrations 205.2 percent; in South Carolina, farm income increased 93.2 percent, new car registrations, 192.1 percent. In such states as Kansas, Nebraska, and Iowa, almost wholly agricultural in character, farm cash income increased by 42 to 54 percent, while at the same time 1934 new car registrations increased 93 to 122 percent over 1932. In States where agriculture is unimportant as compared to industrial enterprise, such as Vermont, Massachusetts and New Hampshire, the farm cash income increase ranged between 4.9 to 9.5 percent, while new car registrations increased 20 to 44 percent.

Farm Income Up 43 Percent

For the country as a whole, those states showing the greatest percentage in farm income generally also show the greatest percentage of increase in new car registrations. Also, the regions showing the greatest percentage of increase in new car registrations are largely agricultural. The increase in cash farm income of 1934 over 1932 was 43.2 percent for the nation as a whole, and the increase in new car registrations was 72.3 percent. This was as follows by regions:

The North Central region, one of the greatest agricultural regions, and also largest purchaser of autos, showed an increase of 37.6 percent in 1934 farm income over 1932. New car registrations jumped from 359,101 in 1932 to 653,040 in 1934, and 81.9 percent increase.

The South Atlantic region, also important agriculturally, had an increase of 66.8 percent in cash farm income which was accompanied by an increase in new car registrations from 102,438 in 1932 to 208,998 in 1934, an increase of 106.8 percent.

In the South Central group of states, almost wholly agricultural, cash farm income increased 58.6 percent, and the registration of new cars rose from 119,397 in 1932 to 280,458 in 1934, an increase of 138.8 percent.

The Western states, despite the fact that some experienced severe drought in 1934, registered an increase of 49.1 percent in farm cash income, and this was accompanied by an increase in new car registrations from 116,428 in 1932 to 215,883 in 1934, an increase of 127.6 percent.

The North Atlantic States, in which industrial income overshadows agricultural income, realized an increase of 12.4 percent in farm cash income, accompanied by an increase in new car registrations from 385,778 in 1932 to 521,665 in 1934, an increase of 39.5 percent.

The beneficial effect of increased farm income on auto sales has continued in 1935, as for the first eight months an increase of 14 percent in farm income over 1934 has been accompanied by a 39.7 percent increase in new car registrations. As in 1934, the increase has been greatest in States which depend on agriculture for the greater part of their income.

- - 0 - -

POTATO IMPORT QUOTAS
PROTECT U. S. GROWERS

Quotas established in connection with the Potato Control Act limit the amount of potatoes that may be imported tax-exempt into the United States to 2,777,068 bushels for the marketing year beginning December 1, as compared with the six-year average imports of 2,847,575. In addition to this allotment, Cuba has been granted a quota of 33,071 bushels for the nine months from March 1 to November 1, 1936. Potatoes imported over this quota pay a tax of 3/4 of a cent per pound. These quotas do not exempt any potatoes from customary import duties.

- - 0 - -

ADJUSTMENT & TRADE AGREEMENTS
LOOK TOWARD RENEWED EXPORTS

Through the agricultural adjustment programs and the development of trade agreements with foreign nations, the Government today is making a planned effort to solve the problem of foreign trade for agricultural products from the farms of the United States, according to Secretary of Agriculture Henry A. Wallace.

The adjustment programs, made necessary by the sudden withdrawal of foreign markets as a result of the higher and higher tariff barriers that were erected by practically all nations in the late 1920's and early 1930's, seek to remove and prevent the surpluses which depressed farm prices to record low levels in 1932. In other words, the products of about forty million acres of American farm land moved into the unsaleable surplus class when foreign markets stopped buying. Continued unrestricted production of these unsaleable surpluses forced prices lower and lower and eventually threatened to bankrupt many producers. The adjustment programs were devised as an orderly retreat from this surplus production.

Secretary Wallace points out that the Reciprocal Tariff Act, on the other hand, seeks to restore in some measure the foreign markets for American products. As agriculture has been the most important American seller in the export market, selling from 13 to 16 percent of its production abroad as compared with 5 to 8 percent for industry, this program to bridge the trade gap naturally has the greatest importance to farmers. Under the Act, the President is authorized to negotiate with foreign countries to establish trade agreements which will scale down the restricting tariff walls to open up advantageous channels of trade.

To sum it up, the adjustment programs are for the purpose of protecting agriculture from the disastrous effects of unsaleable surpluses until such time as trade readjustments make it possible to sell surpluses, or a part of

them, in the export market at a fair price.

Thus far reciprocal trade agreements have been concluded with Cuba, Haiti, Belgium and Sweden. An agreement with Canada and one with Brazil go into effect January 1, 1936. Another has been negotiated with Colombia, but has not yet been ratified.

The agreement with Cuba is the only one that has been in effect long enough to permit measuring results. Under this agreement, the United States agreed to lower its duties on Cuban sugar, in return for concessions on certain meats and vegetables. Under this arrangement lard exports to Cuba have doubled in volume and trebled in value during the first year of operations. Exports of other pork products have also increased while shipments of potatoes, onions and other vegetables have shown large gains. The value of shipments of all farm products from the United States on which Cuba made concessions under the agreement increased by 175 percent, rising from \$3,017,000 to \$8,275,000. In addition, the increased purchasing power in Cuba resulting from the improved ability of Cuba to sell sugar to the United States (72 percent of all sugar consumed in the United States is imported) has caused increased exports of other farm products to Cuba.

- - O - -

FARMERS' SHARE OF
NATIONAL INCOME

From 1910 to 1914 agriculture's share of the national income averaged 17.3 percent. In 1932

it was only 7.5 percent. By 1934 it had increased to 10.2 percent.

- - O - -

**IMPORTS CAUSED BY
DROUGHT DECREASE**

Unusual imports of a number of farm products caused by the drought have fallen off. Comparing October with April, the trend of imports in 1934 was sharply upward for butter, canned beef, barley, corn, oats, wheat and hay. Comparing October and April of 1935, after the effects of the drought have been partially overcome by this season's crops, the trend has been reversed and is now downward for all of these products except corn and wheat. Imports of butter, barley, oats and hay have virtually ceased. Because of severe rust damage in the hard red spring wheat territory, it is believed that imports of this particular type of wheat will continue until next year's crop. With a normal corn crop now becoming available for trade channels, imports of corn are expected soon to cease. It is estimated that all of the imports of farm commodities were less than 2 percent of the loss caused by the drought.

Despite the drought, which tended to cut down exports and temporarily increased imports, in the fiscal year 1935, the United States imported only \$135,224,000 worth of commodities competitive with cotton, tobacco, meat products and grains which it exported, while exports of these commodities from the United States totaled \$595,135,000 in value.

- - O - -

**MOST POTATOES PRODUCED
BY COMMERCIAL GROWERS**

Commercial potato production is concentrated on a relatively small number of farms. Less than three percent of the farms growing potatoes in 1934 produced 56 percent of that year's total crop for the United States. These farms produced 1,000 or more bushels per farm and a total of 225,903,635 bushels. Approximately two-thirds of all farms reporting production of potatoes grew less than 40 bushels per farm and produced only about 7 percent of the total crop for the United States.

- - O - -

SUGAR PLAN ADDS LITTLE
TO CONSUMERS' COSTS

The sugar adjustment program increases the price of sugar to the consumer only slightly.

The average retail price of sugar as reported in 51 leading cities has averaged a little more than 5.6 cents a pound during the first 10 months of 1935. The average price per pound during 1934 was 5.6 cents a pound. For 1933 the average price per pound was 5.4 cents. The average for the five-year period, 1930-1934, was 5.6 cents a pound. The sugar program has been possible without an appreciable increase in the price to consumers because the processing tax of one-half cent a pound on raw sugar was accompanied by a reduction in the tariff on sugar by a corresponding amount.

- - O - -

CONSUMERS' DOLLAR BUYS
MORE FOOD THAN IN 1928

Consumers can buy their usual quantities of farm products for one-fifth less money now than the same products would have cost them in 1928. Despite sharp increases following the drought of 1934, food prices are still only 80 percent of the 1928 level, because the advance took place from the very low average level reached in the spring of 1933 when food prices were only 60 percent of 1928 levels.

- - O - -

MORE THAN THREE MILLION
AAA CONTRACTS NOW IN FORCE

Up to December 5, 1935, the Agricultural Adjustment Administration had accepted a cumulative total of more than 7,657,000 adjustment contracts from cooperating farmers. These contracts have been in effect as follows: 1,625,700 in 1933, 3,012,000 in 1934, and 3,020,173 thus far in 1935.

- - O - -

